REPORT TO THE JEFFERSON PARISH COUNCIL

FROM THE

TAX MILLAGE RE-DEDICATION ADVISORY COMMITTEE

ESTABLISHED UNDER RESOLUTION NO. 130104

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REPORT TO THE JEFFERSON PARISH COUNCIL
FROM THE
TAX MILLAGE RE-DEDICATION ADVISORY COMMITTEE

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EXECUTIVE SUMMARY

This Executive Summary provides a summarization of the issues more fully discussed in the detailed section of this report. It is designed to be a condensed version of the report to be used for reference and discussion purposes.

PURPOSE

The Tax Millage Re-dedication Advisory Committee (the "Committee") was established by the Jefferson Parish Council (the "Council") on October 4, 2017 via Resolution No. 130104 with the purpose of "advising the Council on the appropriateness of and the process for re-dedicating surplus funds from one Special District to another Special District to be used for the purpose of acquiring, constructing, improving, maintaining and operating facilities, works and equipment in the other Special District".

METHODOLOGY

A series of meetings were held whereby the Committee established a hierarchy, received an introduction to the Parish finances and tax millage process, identified those taxing districts where surplus funds might reside, reviewed the current and projected finances of those "targeted" taxing districts and listened to presentations from the administrators of those particular taxing districts (or departments). The Committee also conferred with the Parish President on his concerns and priorities, as well as the Parish Attorney's Office, to determine any legal restrictions on rededicating surplus funds if found. The Committee also received a presentation from the Parish's Indirect Cost Consultant and reviewed the current "full-cost" indirect cost plan that has been adopted.

RESULTS (I.E., POSSIBLE RE-DEDICATION)

The process noted above identified twenty (20) taxing districts (or departments) receiving ad valorem taxes that appeared to be generating surpluses or were maintaining surplus funds in their respective fund balance accounts. After further review of these targeted districts' current and projected finances, the following funds were found to have surplus funds that might be available for re-dedication:

- Road Lighting District No. 7 (Grand Isle) - the 5.50 mills collected in Grand Isle (Ward 11) is generating about $244,000 annually, while costs to operate the district have averaged approximately $90,000 annually. This means that the fund is generating an annual surplus of roughly $154,000 and has accumulated a fund balance in excess of the targeted amount of over $1.5 million. The Committee believes a portion of this millage and/or fund balance may be available for re-dedication.

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EXECUTIVE SUMMARY (CONTINUED)

OTHER COMMENTS AND OBSERVATIONS

While only one of the targeted taxing districts ended up on the list for possible re-dedication, there were a number of other observations or comments made by the Committee that are believed important enough to pass on to the Council for consideration. Those observations and comments are summarized as follows:

1. **The Administration Should Implement More Formal and Systematic Capital Plans for Those Districts That Do Not Break Out Their Capital Projects From Their Operating Activities**
   Several of the targeted taxing districts appeared to have surplus fund balances on hand; however, the presentations made to the Committee asserted that most of these funds were committed to future capital needs (e.g., heavy equipment, buildings, infrastructure, etc.). While the department heads questioned were able to provide information on capital needs, in many cases, these capital plans did not appear to be formal in nature (i.e., formally adopted or calculated). The result was that many of the targeted taxing district's potential surpluses were left untouched by this Committee in favor of these potential capital needs. If these capital plans do not come to fruition, surplus funds may exist (e.g., library, fire, recreation). The Committee believes that a more formal capital planning process should be implemented in some of these taxing districts to better "encumber" the fund balances that appear to be surplus and to account for future fund deficits.

2. **The Administration Should Implement a More Formal and Systematic Review of the Non-Profit Volunteer Fire Companies Operating on the Westbank, to Include the Development of a Capital Plan for Each**
   In reviewing the various fire districts of the Parish, it was noted that the volunteer companies on the Westbank appear to be accumulating surplus tax funds at both the Parish level and at the non-profit level. As of December 31, 2017, the money held by the Parish in its accounts for the Westbank volunteer fire districts amounted to $20.6 million, while the amounts held by the flow-through non-profit volunteer fire companies under contract with the Parish totaled $17.7 million. This brings the total combined amount of cash on hand to about $38.3 million. At these levels, cash on hand is 196.9% of current year expenditures, an amount well in excess of the Parish's targeted fund balance rate of 13 to 15%. During the presentations, most of the fire districts made the case for future capital needs; however, as noted previously, no formal and systematic capital plans appear to be in place for any of the Westbank Fire Districts. The Committee recommends a review and justification of the cash balances held at the non-profit level and the formulation of a capital plan for each Volunteer Fire Company that more accurately projects the future capital needs and justifies the amounts of cash on hand and the millage rates levied.

3. **The Current Full-Cost Indirect Cost Plan Should Be Continued But Monitored**
   The Parish Administration adopted a "full-cost" indirect cost plan in 2018 which greatly increased the amounts charged to the other Special Revenue Funds by the General Fund (an increase of nearly $8 million). This change was made to reflect a truer incurrence and allocation of costs in accordance with Generally Accepted Accounting Principles ("GAAP"). Based on our review, it appears that several of the targeted taxing districts would have had surplus funds available in the future had it not been for the implementation of this new indirect cost allocation.

EXECUTIVE SUMMARY (CONTINUED)

With these new charges, many of the targeted taxing districts are budgeted to break even or incur deficits in the future. While the Committee is in favor of adopting this full-cost plan, the Council and the Administration should be wary of the long-term effects this plan will have on the Special Revenue Funds, especially if nothing is done to address the continuing rolling-back of their millage rates.

4. **Duplication of Effort in the Delivery of Senior Services Should be Examined**
During our review, it was noted that the Parish Recreation Department, the Senior Services Section, the Libraries and the Council on Aging all provide various types and levels of services for senior citizens in Jefferson Parish. Some of these programs appear to be duplicative and/or overlap. The Committee believes a further review and coordination of these various services is warranted to minimize duplication of effort and to maximize services and outreach in the most cost effective manner.

5. **The Council and Administration Should Consider Consolidating Millage Rates in the Future Into Functional Groupings to Add Flexibility To How It Operates and Budgets**
Over the years, the Parish has adopted a number of individual millages tied to specific purposes. Generally accepted accounting principles require that these special millages be accounted and budgeted for separately in Special Revenue, Debt Service or Capital Project Funds, as the case may be. While this system of adopting specific millages greatly enhances accountability to the public on where and how these monies are spent, it also greatly reduces the Parish's flexibility in moving funds around or re-prioritizing funds when needed. It is almost like having a separate checkbook for your roof, your water bill, your sewer bill, your lawn care, your food costs, etc. If priorities change and you need money for your roof, as a citizen, you can easily move money from one account to another. As a Parish with legally restricted accounts, they cannot move money to where it is always needed. The Committee believes that the Council and the Administration should one day work towards consolidating some of the like millages into functional groupings. This would allow more flexibility in allocating and prioritizing resources as operating and capital needs change. There are a number of pros and cons to consolidating millages in this fashion. The Committee also recognizes that this would be a complex transition if it were undertaken.

6. **The Parish Should Study the Needs of the Transit System as a Whole and Fund It Accordingly**
Both of the taxing districts funding the Parish's mass transit needs (Regular and Mobility Impaired) appear to need additional funds if an expansion of services to fit the needs of the citizenry is to be accomplished. The funds have been operating at break-even levels for the past several years and actually have surplus funds in fund balance due to a one-time cash infusion from a past hurricane. These funds are currently dedicated to replacing the aging fleet of buses; however, for the Parish's transit to continue on into the 21st century, upgrades to technology are claimed to be needed, along with expansions of certain routes and increased collaboration with the City of New Orleans in trans-parish routes. The Council should further study the needs of the transit system as a whole and fund the needs accordingly.

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EXECUTIVE SUMMARY (CONTINUED)

7. **The Parish Should Consider Rolling Millage Rates Forward When Warranted Instead of Automatically Rolling Millages Back on Each Re-Assessment Roll**
   Over the past several administrations, it appears that the Councils that have been in place have adopted an automatic policy of "rolling back" the ad valorem tax millage every four years regardless of the financial condition of the particular taxing district. This philosophy has resulted in several taxing districts experiencing "stunted growth" in their revenue streams as compared to their ever increasing costs. Once the chance to increase the revenues is lost, the revenues remain at a lower level for the remainder of the term of the tax. The result is a potential loss of services to the citizens. The Committee believes that the current and projected financial needs of the taxing district should outweigh the philosophical taxing ideals of the Council and that the Council should roll-forward the tax millage when warranted. The Committee believes that millage renewals (which come about every four years when the tax rolls are re-assessed) should be adopted at the levels approved by the voters (i.e., rolled forward) unless there is an obvious reduction in projected costs.

8. **The Constitutional Millage of the General Fund Should be Increased if Possible or Additional Funding Should be Sought to Offset State-Mandated Costs**
   The General Fund is funded by a "constitutional millage" that has been "rolled back" over the years from its original amount of 4.00 mills down to its current level of 1.31 mills. Based on our review, it appears that this millage rate is inadequate to fund the General Fund operations. The costs that this constitutional millage were intended to cover have continued or increased over the years, while the millage rate has been allowed to erode/decline. The Council should consider bringing this constitutional millage to a vote of the people to authorize it back to its original maximum amount of 4.00 mills. In lieu of raising the constitutional millage, the Council might consider seeking a new tax millage for the General Fund to help it fund many of the ever increasing "state-mandated" and other costs that it must pay for that currently have no true funding source. This would include various intergovernmental costs associated with the judicial system. For 2017, the General Fund incurred $29.2 million on these items. None of these costs are reimbursed from any specific source. At this level, a parish-wide "judicial" or "public safety" millage of between 8.00 to 9.00 mills would be needed to cover these costs completely. While the Committee acknowledges that this would be a significant increase, we are not advocating for the entire amount all at once. Any additional new millages would help in paying for these costs which would help stabilize the General Fund. The Committee understands that new taxes are not always welcome and that the public would have to be well educated on what the money would be for.

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EXECUTIVE SUMMARY (CONTINUED)

9. **The Parish Should Consider Formalizing an Economic Development Funding Strategy**
   The Special Services District millage rate of 2.42 mills is split between Economic Development (20%), Criminal Justice (40%), Culture/Parks (20%), and Senior Services (20%). When this millage was first established, it was touted as an "economic development" millage; however, once adopted, it was broken out into various pieces. As such, the original purpose behind this millage of "economic development" seems to have been watered down to some extent, with only 20% going towards that purpose. The Committee believes that the Council and the Administration should adopt a more formal policy or process to maximize economic development funding. An incentive fund was established years ago to aid JEDCO in attracting businesses to Jefferson Parish; however, that fund has long since been exhausted. The Committee believes that the Parish should consider re-establishing an Economic Development Incentive Fund of some kind and that JEDCO should play a role in administering the fund.

10. **The Administration Should Consider Providing More Detailed and Desegregated Fund Balance Information on Its Special Revenue Funds**
   The Committee believes that the Parish should strive to improve communication and transparency to the public when it comes to its finances. The Comprehensive Annual Financial Report ("CAFR") and the Proposed Budgets produced by the Administration are exemplary documents; however, to the lay person, they are hard to make sense of. The Parish does produce an annual Popular Report, which is designed to summarize data and to communicate finances in a more understandable way; however, even that document is too aggregated to give the Citizens a picture of how much of the Parish's funds are restricted. Given the Parish's history of adopting and restricting millages for specific purposes, the Committee believes the Parish should provide a breakdown of the restricted and unrestricted fund balances within the Popular Report. This would make it more apparent to the citizens how hamstrung the Council and Administration are when it comes to spending dedicated monies on other projects.

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EXECUTIVE SUMMARY (CONTINUED)

IN CLOSING

The Committee wishes to thank the Parish Council members who provided input during our meetings, as well as to the Parish President and his staff members and department heads. Their information and insights made our review much more efficient and provided valuable overviews of the Parish operations and finances. The results and observations presented are merely for your review and/or consideration. We certainly understand that the financial needs and the political needs are sometimes at odds with each other, but we believe the comments and observations provided will help the Parish operate more effectively. They may also assist the Parish in "justifying" future millage rate increases or adjustments to the public.

Paul Rivera
Chairperson

Jerry Bologna
Committee Member

Christopher Cox
Committee Member

Gary Duker
Committee Member

Anthony "Tony" Ligi
Committee Member

Bernard Menge
Committee Member

Tim Palmatier
Committee Member

Tommy Budde
Vice-Chair

Tim Coulon
Committee Member

Dennis DiMarco
Committee Member

Robert "Bob" Evans
Committee Member

Duke McConnell
Committee Member

Todd Murphy
Committee Member

Oscar Pipkins
Committee Member

DETAILED NOTES AND OBSERVATIONS

REPORT TO THE JEFFERSON PARISH COUNCIL FROM THE TAX MILLAGE RE-DEDICATION ADVISORY COMMITTEE

DETAILED NOTES AND OBSERVATIONS

This sections provides more details behind the items discussed in the Executive Summary Section.

PURPOSE

The Tax Millage Re-dedication Advisory Committee (the "Committee") was established by the Jefferson Parish Council (the "Council") on October 4, 2017 via Resolution No. 130104 with the purpose of "advising the Council on the appropriateness of and the process for re-dedicating surplus funds from one Special District to another Special District to be used for the purpose of acquiring, constructing, improving, maintaining and operating facilities, works and equipment in the other Special District". The Committee's existence was extended on July 25, 2018 "for a period of twelve (12) months or until the Tax Millage Re-dedication Advisory Committee submits its final report to the Jefferson Parish Council" via Resolution No. 131839. This report completes our purpose and is hereby submitted to the Jefferson Parish Council for review and consideration.

METHODOLOGY

A series of meetings were held whereby the Committee established a hierarchy, received an introduction to the Parish finances and tax millage process, identified those taxing districts where surplus funds might reside, reviewed the current and projected finances of those "targeted" taxing districts and listened to presentations from the administrators of those particular taxing districts (or departments). The Committee also conferred with the Parish President on his concerns and priorities, as well as the Parish Attorney's Office, to determine any legal restrictions on rededicating surplus funds if found. The Committee also received a presentation from the Parish's Indirect Cost Consultant and reviewed the current "full-cost" indirect cost plan that has been adopted.

A listing of the meeting dates and locations are noted below:

Date	Location	Date	Location
1/16/2018	Westbank - General Govt Bldg	9/25/2018	Westbank - General Govt Bldg
2/27/2018	Eastbank - Yenni Bldg	10/16/2018	Eastbank - Yenni Bldg
3/27/2018	Westbank - General Govt Bldg	11/27/2018	Cancelled
4/17/2018	Eastbank - Yenni Bldg	12/18/2018	Eastbank - Yenni Bldg
5/22/2018	Westbank - General Govt Bldg	1/22/2019	Westbank - General Govt Bldg
6/19/2018	Eastbank - Yenni Bldg	2/19/2019	Eastbank - Yenni Bldg
7/17/2018	Westbank - General Govt Bldg	3/26/2019	Cancelled
8/21/2018	Eastbank - Yenni Bldg		

Each meeting was open to the public and was taped by the Parish Attorney's office. Minutes of each meeting were transcribed from the tapes and adopted by the Committee at the following meeting.

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The government of the Parish is financed by a multitude of sources – ad valorem (property) taxes, sales taxes, licenses, permits and fees, service charges, intergovernmental revenues and grants, gaming fees and commissions, interest income, etc. To satisfy the citizens "that their money was being spent on what it was supposed to be spent on" and to meet current Governmental Accounting Standards, whenever a tax is levied for a special purpose, it is accounted for in a separate "fund". Thus, the Parish records activity in a "General Fund" but also reports operating activity in various Special Revenue, Capital Project and Debt Service Funds.

The scope of the Committee was to focus on those taxing districts (departments) that are being funded by ad valorem (or property) taxes. The Parish currently levies 32 different ad valorem tax millages to fund various functions of government. The taxes levied are scheduled on the following page in Exhibit 1.

A few notes on Exhibit 1 for the reader to note:

- There are different "types" of ad valorem tax levies made, which generally correspond to the intent of the funding of the tax. For example, in the table, M stands for "maintenance and operating", while B stands for "bonds". Maintenance and operating millages can be used for operating costs, while a bond millage can only be used to pay the debt service of long term bonds issued that are backed by the millages. The Committee automatically excluded bond millages from the scope of the project since those millages are dedicated to bonds.
- Taxing areas give a rough geographic outline of where each ad valorem tax is levied. Some of the taxes are "parishwide", which means that every household in the Parish is subject to the tax, while others are only levied in "unincorporated" areas, which means that households located in the 6 municipalities in the Parish do not pay these taxes. This is of particular importance when it comes to trying to re-dedicate a tax from one area to another.
- The millage rates are shown at both their "maximum" value and at their current "levied" value. The difference here is that when a tax is first authorized, it is set at a certain value – for instance 4.00 mills. This first levy is established as its "maximum value". When the next "reassessment roll" is adopted, State Statutes require a government to keep their ad valorem taxes "revenue neutral". This means that if the tax roll shows an increase in the assessed values of the taxable properties, the government must "roll-back" (i.e. lower) the levied millage rate to a lesser amount to keep the revenues neutral. The government has the option to "roll the millage forward" back up to its "maximum value" if it chooses to, but it must do so on that reassessed roll. If the millage is not rolled forward, then the lesser "rolled-back" millage becomes its new "maximum value". Thus, as seen in the table, there are several levied millages that are slightly less than their maximum values. This means that the Parish "rolled-back" the millage rate on the last reassessment roll and is currently collecting less than it is legally able to.
- The approximate taxes generated are net of various items. When a tax is levied, it generates a gross amount of taxes. Some of the households are subject to the homestead exemption, which lowers the amount of net taxes due. After that, the Tax Collector is legally bound to withhold certain amounts from the first taxes collected to pay for certain statewide pension plans (about $10.1 million) and to fund the Parish Assessor's Office (about $4.4 million). Thus, when the Parish adopts a millage, it needs to take these deductions into account so that it ensures the net amounts collected are adequate for its needs.

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EXHIBIT 1 - AD VALOREM TAXES LEVIED BY JP - 2019 TAX ROLL

Taxing District	Type	Taxing Area	Millage Rate Maximum	Millage Rate Levied	Approximate Taxes Generated
Parish - General Alimony	M	Parishwide	1.350	1.310	$ 4,095,750
Library	M	Parishwide	6.500	6.170	22,455,777
Health Unit	M	Parishwide	2.210	2.140	7,788,562
Juvenile Detention	M	Parishwide	3.420	3.320	12,083,153
Transportation - Regular	M	Parishwide	1.960	1.900	6,915,155
Transportation - MITS	M	Parishwide	0.980	0.950	3,457,638
Consolidated Road Lighting	M	Uninc EB/WB/Lafitte	3.000	2.900	8,122,576
Road Lighting #7	M	Grand Isle	5.500	5.500	279,489
Consolidated Recreation	M	Uninc EB/WB/Lafitte	10.000	10.000	28,027,742
Consolidated Recreation	B	Uninc EB/WB/Lafitte	2.720	2.670	870,675
Playground #16	M	Grand Isle	10.990	10.990	558,445
Eastbank Fire District	M	Uninc EB Except RR	25.000	24.010	41,739,580
Fire Dist #3	M	River Ridge	20.000	19.200	3,275,892
Fire Dist #4	M	Lafitte	16.720	16.650	639,406
Fire Dist #5	M	Terrytown	20.000	19.090	3,595,458
Fire Dist #6	M	Harvey East of Canal	23.920	23.360	4,725,443
Fire Dist #7	M	Bridge City, Avondale, Waggaman, Nine Mile Point	24.360	23.980	3,870,974
Fire Dist #8	M	Marrero Estelle, Ragusa, Harvey West	24.450	24.050	7,696,041
Fire Dist #9	M	Grand Isle	21.100	21.100	1,072,174
Consolidated Garbage	M	Uninc EB/WB/Lafitte	4.000	3.860	10,821,105
Consolidated Sewerage	M	Uninc EB/WB/Lafitte	3.580	3.460	9,777,927
Consolidated Drainage	M	EB/WB/Except GI	6.000	4.640	16,593,004
Consolidated Drainage	C	EB/WB/Except GI	6.000	4.730	16,914,851
Consolidated Water	C	EB/Uninc WB/Lafitte	3.540	3.430	11,679,361
Ambulance Dist #2	M	Grand Isle	10.990	10.990	558,445
Culture & Parks	M	Parishwide	0.500	0.490	1,776,151
Criminal Justice	M	Parishwide	0.500	0.490	1,776,151
Culture & Parks (Unincorporated Lafitte)	M	Uninc EB/WB/Lafitte	0.500	0.480	1,352,734
Criminal Justice (Unincorporated Lafitte)	M	Uninc EB/WB/Lafitte	1.000	0.970	2,733,649
Economic Development	M	Uninc EB/WB/Lafitte	0.500	0.480	1,352,734
Senior Services	M	Uninc EB/WB/Lafitte	0.500	0.480	1,352,734
Inspector General	M	Uninc EB/WB/Lafitte	0.500	0.480	1,344,413

REPORT TO THE JEFFERSON PARISH COUNCIL FROM THE TAX MILLAGE RE-DEDICATION ADVISORY COMMITTEE

Based on discussions with the Parish Chief Financial Officer and Budget Director, the Parish currently has a fund balance target in place of 13 to 15% of current year expenditures. In order to be more efficient in our endeavor, the Committee agreed to review the finances of all of the funds/departments being funded with ad valorem taxes and to "target" those with fund balances at least 10% over and above the targeted % and with a dollar value of at least $500,000. The Committee felt that this would allow them to focus on the more material dollar amounts that might be available.

Using this criteria, based on 2016 and 2017 financial information, 20 funds/departments were ultimately "targeted". The targeted funds/departments were as follows:

	Taxing District/Fund
1	Inspector General
2	Water
3	Library
4	Eastbank Consolidated Fire
5	Westbank Volunteer Fire (#4, 5, 6, 7, and 8)
6	Transit - Regular
7	Transit - MITS
8	Human Services Authority
9	Animal Shelter
10	Health Unit
11	Juvenile Services
12	Consolidated Road Lighting
13	Road Lighting #7 (Grand Isle)
14	Consolidated Recreation
15	Culture & Parks
16	Senior Services
17	Consolidated Drainage
18	Consolidated Drainage - SELA
19	Consolidated Garbage
20	General Fund

The Parish's Chief Financial Officer and Budget Director were asked to provide more up-to-date financial information on these targeted funds/departments and to provide some budget projections as well. Once this information was received, a questionnaire was designed and distributed to each department head asking for more detailed information on its finances, fund balances, operating and capital plans, etc.

After meeting with the heads of the targeted funds/departments, it became apparent that the Parish's Indirect Cost Plan was greatly influencing the future balances of the various Special Revenue Funds. While many seemed to be generating surpluses and accumulating fund balances over the past few years, the projections showed that in the next three to five years, most of these same Special Revenue Funds would have their accumulated fund balances emptied and their yearly surpluses reduced to break-even levels.

Apparently, the change that we were seeing was caused by the adoption of a "full-cost" indirect cost plan in 2018 which greatly increased the amounts charged to the other Special Revenue Funds by the General Fund. This change was made to reflect a truer incurrence and allocation of costs. For 2017, indirect costs brought in $11.2 million to the General Fund. For 2018 and 2019, it is anticipated to bring in $19.3 million and $19.5 million, respectively. This is an increase of over $8 million per year or 71.2%.

The only problem noted was that the long-term effects of this new plan seemed to be driving several of the Special Revenue Funds into financial difficulty in the future. The Council and the Administration must be wary of this, especially if nothing is done to address the continuing rolling-back of their millage rates.

After taking everything into account, the Committee did a final review of the 20 targeted funds/departments and completed a questionnaire on each asking if there were any surplus revenues or fund balances that might be available for re-dedication. Only one (1) fund/department was identified.

POSSIBLE SURPLUS REVENUES OR FUND BALANCE AVAILABLE FOR RE-DEDICATION

Road Lighting #7 (Grand Isle)

The Road Lighting District No. 7 encompasses the geographical area of Grand Isle (Ward 11 for tax roll purposes) and collects 5.50 mills to provide for the operations and maintenance of the road lights in and around the Town. A breakdown of the past 5 years follows:

EXHIBIT 2 - ROAD LIGHTING DIST #7 (GRAND ISLE)

	2013	2014	2015	2016	2017
Revenues					
Taxes	$ 184,408	$ 185,637	$ 194,934	$ 246,125	$ 244,144
Other	4,692	5,956	37,896	20,967	36,539
	189,100	191,593	232,830	267,092	280,683
Expenditures					
Current Operations	89,214	76,382	106,876	80,132	96,890
Surplus (Deficit)	99,886	115,211	125,954	186,960	183,793
Transfers In (out)	2,804	-	-	-	-
Net Change in Fund Balance	102,690	115,211	125,954	186,960	183,793
Beginning Fund Balance	855,279	957,969	1,073,180	1,199,134	1,386,094
Ending Fund Balance	$ 957,969	$ 1,073,180	$ 1,199,134	$ 1,386,094	$ 1,569,887
FB Target - 13% of Exp	$ 11,598	$ 9,930	$ 13,894	$ 10,417	$ 12,596
Excess over Target	$ 946,371	$ 1,063,250	$ 1,185,240	$ 1,375,677	$ 1,557,291

Based on the above, the 5.50 mills collected in Grand Isle for road lighting is generating about $244,000 annually, while costs to operate the district have averaged approximately $90,000 annually. This means that the fund is generating an annual surplus of roughly $154,000 and has accumulated a fund balance in excess of the targeted amount of over $1.5 million.

It should be noted that this 5.50 millage rate was last renewed in 2015. Prior to that it was being collected at a rolled-back level of 4.88 mills. Thus, this current rate will be in effect for at least another 7 years. This means that, absent any significant changes, these surpluses will continue.

At first glance, it would appear that this fund is obviously generating surplus funds and has accumulated fund balance that could be re-dedicated elsewhere. One problem is that the taxes were generated within the geographical boundaries of the Town of Grand Isle, thus, re-dedicating it anywhere outside of those same boundaries would be problematic. The voters of the island would probably be very reluctant to allow their tax dollars to be used elsewhere in the Parish without them benefitting in some way. Thus, if a re-dedication were to occur of either a portion of the millage rate or of the accumulated fund balance, it would seem prudent to seek authorization to utilize the funds somewhere within the Town. The Parish does have other taxing districts within the Town that could probably use the money – Fire District No. 9, Ambulance District No. 2, or Playground District No. 16.

There may also be plans underway to upgrade the road lighting system in Grand Isle to possibly include converting the system to LED lights. The hope is that these lights will last longer and ultimately drive the maintenance costs down. The problem is that the conversion is going to be costly and could potentially use up a good portion of the accumulated fund balance noted above. These plans are still in the planning stage, thus, if a re-dedication is considered, the long-term costs of this project should be taken into consideration before any money is moved elsewhere.

OTHER COMMENTS AND OBSERVATIONS

While the purpose of the Committee was to identify surplus taxes and/or fund balances for possible re-dedication, there were a number of comments and observations that came up during our meetings that the Committee believed are important enough to pass on to the Council for consideration. Those observations and comments are discussed in detail as follows:

1. **<u>The Administration Should Implement More Formal and Systematic Capital Plans for Those Districts that do not Break Out Their Capital Projects From Their Operating Activities</u>**

   Several of the targeted taxing districts appeared to have surplus fund balances on hand; however, the presentations made to the Committee asserted that most of these funds were committed to future capital needs (heavy equipment, buildings, infrastructure, etc.). While the department heads questioned were able to provide information on capital needs, in many cases, these capital plans did not appear to be formal in nature (i.e., formally adopted or calculated). The capital needs seemed to be just lists of projects put together with estimated costs. Some had expected time tables and priorities, others did not.

   The result was that many of the targeted taxing district's potential surpluses were left untouched in favor of these capital needs. If these capital plans do not come to fruition, surplus funds may exist (e.g., library, fire, recreation). On the other hand, some departments reported capital needs far in excess of what they currently have available and or will have available in the near future (e.g., garbage, streets, drainage). The Committee believes that a more formal capital planning process should be implemented in some of these taxing districts to better "encumber" the fund balances that appear to surplus.

   One example of a systematic approach is provided in Exhibit 4 under Item 2 below. This exhibit demonstrates a "capital reserve pooling method", whereby major capital purchases could be identified, the year of purchase and cost estimated, and a schedule of amounts deposited to a capital reserve can be calculated to fund the needed items. This is one method that could be adopted to justify the amounts being held on hand.

2. **<u>The Administration Should Implement a More Formal and Systematic Review of the Non-profit Volunteer Fire Companies Operating on the Westbank, to Include the Development of a Capital Plan for Each</u>**

   Fire protection on the Westbank is provided in a very different manner than on the Eastbank. On the Eastbank, the employees of the fire department are Parish employees and the fire protection is provided by these employees and overseen by an in-house administration. On the Westbank, the various fire districts contract with non-profit volunteer fire companies to provide fire protection. These non-profit companies are separate legal entities (corporations), each with a separate board of officers, a fire chief, and employees (full-time, part-time, and volunteer).

Under the contract with the Parish, the Parish levies a tax to fund the operations of the district and provides money (typically a fixed monthly amount) to the non-profit to provide fire protection services in that district. In most cases, the land, fire stations, major vehicles and equipment are paid for and owned by the Parish but are used by the non-profits to provide services to the fire district. The non-profits are typically responsible for payroll and related benefits, operating costs, maintenance and repair, and small capital purchases needed to operate on. As "quasi-public" agencies, the non-profits are each audited each year by a Certified Public Accounting (CPA) Firm in accordance with State Statutes and their financial reports are supplied to both the Parish and the Louisiana Legislative Auditor's Office.

The Parish accounts for the various Westbank fire districts as Special Revenue Funds. Each millage levied is recorded in its own Special Revenue Fund and the payments to the non-profit(s) it contracts with are recorded as expenditures of that same fund. There are currently six (6) Special Revenue Funds used by the Parish to record this activity:

- Fire District #4 – Lafitte, Barataria, Crown Point
- Fire District #5 – Terrytown and Unincorporated Gretna
- Fire District #6 – Harvey – East of Canal
- Fire District #7 – Avondale, Bridge City, Nine Mile Point, Waggaman
- Fire District #8 – Marrero, Marrero-Harvey (West of Canal), Marrero-Ragusa
- Fire District #9 – Grand Isle

In reviewing the various fire districts of the Parish, it was noted that the volunteer companies on the Westbank appear to be accumulating surplus tax funds at both the Parish level and at the non-profit level. As of December 31, 2017, the money held by the Parish for the Westbank volunteer fire districts amounted to $20.6 million, while the amounts held by the flow-through non-profit volunteer fire companies under contract with the Parish totaled $17.7 million. This brings the total combined amount of cash on hand to about $38.3 million.

Based on audited financial reports, it appears that the operating costs for the year for all of the Westbank non-profits combined was approximately $19.5 million for 2017. At these levels, cash on hand is 196.9% of current year expenditures. This is well in excess of the Parish's targeted fund balance rate of 15% (approximately $35.4 million or 181.9% in excess). This excludes another $14.3 million being held in a Capital Projects Fund for the various fire districts.

During the presentations, most of the fire districts brought up staffing shortages, inadequate pay and benefits, and most made the case for future capital needs; however, no formal and systematic capital plan appears to be in place for any of the Westbank Fire Districts. Staffing, pay, and benefits is becoming more of an issue for the non-profits as the number of "volunteers" dwindles and the reliance on full-time and part-time "paid" employees becomes the norm. The volunteer agencies also do not participate in the State pension plan. Thus, most of the non-profits only offer a small 401k plan at best. The various non-profits are also paying more and more for health benefits. Since they are small entities with 10 to 30 employees, they are not afforded the luxury of large employee plan discounts by the insurance companies.

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See Exhibit 3 below which summarizes the balances held by each district.

EXHIBIT 3 - CASH AND FUND BALANCES OF WESTBANK FIRE DISTRICTS AT 12/31/17

TAX DISTRICT	GEOGRAPHICAL AREA	12/31/2017 OPERATING EXPENSES	JP HELD FUND BAL	(1) CASH HELD AT NON-PROFITS	COMBINED TOTAL	TARGET FB (15% OF EXPENSES)	FB IN EXCESS OF TARGET	% OF CURR YR EXPENSES
FIRE DIST #4	LAFFITE, BARATARIA, CROWN POINT	$ 662,185	$ 396,951	$ 765,358	$ 1,162,309	$ 99,328	$ 1,062,981	160.5%
FIRE DIST #5	TERRYTOWN, UNINC GRETNA	2,855,271	5,352,512	2,590,613	7,943,125	428,291	7,514,834	263.2%
FIRE DIST #6	HARVEY - EAST OF CANAL	3,456,329	10,844,093	2,977,185	13,821,278	518,449	13,302,829	384.9%
FIRE DIST #7	AVONDALE, BC, NMP, WAGG, WKB	4,181,032	965,422	3,383,201	4,348,623	627,155	3,721,468	89.0%
FIRE DIST #8	MARRERO, MARR-HARVEY, RAGUSA	7,424,309	2,748,191	7,892,405	10,640,596	1,113,646	9,526,950	128.3%
FIRE DIST #9	GRAND ISLE	891,440	328,047	94,307	422,354	133,716	288,638	32.4%
		$ 19,470,566	$ 20,635,216	$ 17,703,069	$ 38,338,285	$ 2,920,585	$ 35,417,700	181.9%
			% OF CY EXPENSES ======>		196.9%			

(1) - CASH HELD AT NON-PROFITS IS MADE UP OF CASH AND INVESTMENTS ON HAND AT 12/31/17 AS PER THE AUDITED FINANCIAL STATEMENTS. FUND BALANCE OR NET ASSETS WAS NOT USED IN ORDER TO ELIMINATE THE EFFECT OF ANY CAPITAL ASSETS OR LONG-TERM DEBT (LOANS OR LEASES) THAT MIGHT BE RECORDED BY THE NON-PROFIT ON ITS BOOKS.

The Committee was a bit confused because it seemed that both the Parish and the non-profits were claiming to be holding cash/fund balance for future capital needs. This would seem that the same capital purchase was being saved up for twice, which might account for the large amount of cash accumulating in the district accounts.

The Committee recommends that the Parish clarify who is responsible for capital purchases and accumulating funds for those future needs. The Committee also recommends that a systematic approach be implemented for each district which would outline their needs and the justification for the accumulation of taxpayer dollars over a period of years. New agreements were signed with the non-profits in 2017 and any new requirements would probably have to be incorporated into an amendment to these contracts.

One approach that the fire districts could take would be a "capital reserve pooling method", whereby major capital purchases could be identified, the year of purchase and cost estimated, and a schedule of amounts deposited to a capital reserve can be calculated to fund the needed items. An example follows:

EXHIBIT 4 - SAMPLE CAPITAL RESERVE PLAN

Capital Item	Yr 1	Yr 2	Yr3	Yr 4	Yr 5	Yr 6-9	Yr 10
Fire Station Roof Repair	$ -	$ -	$ -	$ 50,000	$ -	$ -	$ -
New Pumper Truck	-	-	-	-	-	-	575,000
New Personnel Carrier	-	-	-	-	-	-	-
New Truck for Fire Chief	-	25,000	-	-	-	-	-
New Bunker Gear	10,000	-	-	-	10,000	-	-
New Garage Doors	-	-	25,000	-	-	-	-
	$ 10,000	$ 25,000	$ 25,000	$ 50,000	$ 10,000	$ -	$ 575,000
Beg Balance	$ -	$ 92,833	$ 160,667	$ 216,000	$ 238,000	$ 287,500	$ 517,500
Reserve Deposit Needed	102,833	92,833	80,333	72,000	59,500	230,000	57,500
Estimated Spend	(10,000)	(25,000)	(25,000)	(50,000)	(10,000)	-	(575,000)
Estimated Balance	$ 92,833	$ 160,667	$ 216,000	$ 238,000	$ 287,500	$ 517,500	$ -

3. The Current Full-Cost Indirect Cost Plan Should be Continued but Monitored

The Parish Administration adopted a "full-cost" indirect cost plan in 2018 which greatly increased the amounts charged to the other Special Revenue Funds by the General Fund. This change was made to reflect a truer incurrence and allocation of costs. For 2017, indirect costs brought in $11.2 million to the General Fund. For 2018 and 2019, it is anticipated to bring in $19.3 million and $19.5 million, respectively. This is an increase of over $8 million per year or 71.2%.

Based on our review, it appears that several of the targeted taxing districts would have had surplus funds available in the future had it not been for the implementation of this new indirect cost allocation. With these new charges, many of the targeted taxing districts are budgeted to break even or incur deficits in the future. While the Committee is in favor of adopting this full-cost plan, the Council and the Administration should be wary of the long-term effects this plan will have on the Special Revenue Funds, especially if nothing is done to address the continuing rolling-back of their millage rates. Absent additional funds, the Special Revenues Funds may start struggling to make ends meet once the additional $8 million is charged to indirect cost.

The Parish's Indirect Cost Plan prepared by MGT Consulting Group should be consulted for additional information on the plan.

4. <u>Duplication of Effort in the Delivery of Senior Services Should be Examined</u>

During our review, it was noted that the Parish Recreation Department, the Senior Services Section, the Libraries and the Council on Aging provide various types and levels of services for senior citizens in Jefferson Parish. Some of these programs appear to be duplicative and/or overlap. The Committee believes a further review and coordination of these various services is warranted to minimize duplication of effort and to maximize services and outreach.

The Recreation Department operates several Golden Age Centers, while the Council on Aging also operates several Senior Centers. All of the Departments noted above provide services of one kind or another to senior citizens during the month at various locations throughout the Parish. Given the increasing need for these services, the Committee believes a more focused effort of coordinating these services and programs is needed.

5. <u>The Council and Administration Should Consider Consolidating Millage Rates in the Future Into Functional Groupings to Add Flexibility To How It Operates and Budgets</u>

Over the years, the Parish has adopted a number of individual millages tied to specific purposes. Generally accepted accounting principles require that these special millages be accounted and budgeted for separately in Special Revenue, Debt Service or Capital Project Funds, as the case may be. While this system of adopting specific millages greatly enhances accountability to the public on where and how these monies are spent, it also greatly reduces the Parish's flexibility in moving funds around or re-prioritizing funds when needed.

The debate is whether it is better to have one checking account to pay all of your bills out of or whether you should have a separate checking account for your roof, your water bill, your sewer bill, your lawn care, your food costs, etc. As a citizen, whether you have one account or many, depending on your needs, you can pay your bills with the money that you have. If one account is short, you can easily move money from another one to cover it. As a Parish with legally restricted accounts, the money <u>cannot</u> be moved to where it is always needed. This leads to situations where one fund may have excess monies but they cannot be spent on any purpose outside of that fund's mandate.

The Committee believes that the Council and the Administration should one day work towards consolidating some of the like millages into functional groupings (e.g., Public Works, Public Safety, Health and Welfare, Culture and Recreation, etc.). This would allow more flexibility in allocating and prioritizing resources as operating and capital needs change.

There are a number of pros and cons to consolidating millages in this fashion. As noted above, the adoption of a specific millage for a specific purpose greatly enhances accountability. When millages are consolidated, the flexibility to move money around is provided, but the public may not always agree with the priorities being set and may not like where the monies are being spent. Another danger is public perception. When the citizens are approached about renewing a 5.00 mill tax for a particular district, they normally do not think twice. If too many like millages are consolidated into a function, you may end up with a single millage of 25, 30, or even 40 mills. When the public is asked to renew or approve a 40 mill tax, they will definitely stand up and take notice simply because of the size of the tax.

The Committee also recognizes that this would be a complex transition if it were undertaken. As noted elsewhere in this report, the various millages of the Parish come from distinct and varied geographic areas (e.g., parishwide, unincorporated, specific districts, etc.). Any consolidation would need to take these into account. The various millages that would be consolidated may also have different expiration dates. Thus, the Parish would have to early implement some millages and let their former millages lapse. This transition would need to be documented and explained to the public in clear terms.

6. <u>The Parish Should Study the Needs of the Transit System as a Whole and Fund It Accordingly</u>

The Transit millages were both renewed in 2017 by a vote of the people and levied at their new levels on the 2018 tax roll. Even so, both of the taxing districts funding the Parish's mass transit needs (Regular and Mobility Impaired) appear to need additional funds if an expansion of services to fit the needs of the citizenry is to be accomplished.

While bike-sharing roads are popping up across the country, including Jefferson Parish, their utilization and practicality are somewhat limited in our Parish due to how spread out we are geographically. Jefferson Parish is not designed to be "bike-friendly". Thus, mass-transit is still a must for a portion of the population. Transit currently has 41 buses servicing 13 fixed routes, seven on the Westbank and six on the Eastbank. The base fare is $1.50, while the average cost per passenger to operate the service is estimated to be $5.78. Operations are subsidized by the ad valorem tax, as well as from state funds (Parish Transportation Act Funds) and federal funds (from the Federal Transit Administration (FTA) for a portion of the operating costs and capital purchases).

Overall, ridership has been decreasing over the past few years, especially since Hurricane Katrina in 2005. Ridership on the regular buses were 511,000 in 2017 and 465,000 in 2018. There are several pressures facing mass transit these days, including the limitations of fixed routes, increases in affordable "ride-sharing" options (Uber, Lyft, etc.), increases in bike-friendly routes, limitations on wanted technology (GPS tracking APPS on buses/route locators, etc.), a lack of inter-parish connectivity into and out of Orleans Parish, etc.

The Transit departments only have a few in-house employees overseeing the operations of the district. The majority of the funds are spent on contracts with vendors to provide fleet services and grant management services to the districts. The funds have been operating at break-even levels for the past several years and only have surplus funds in fund balance due to a one-time cash infusion from a past hurricane. These funds are currently dedicated to replacing the aging fleet of buses (17 buses are scheduled for replacement in the next 5 years).

For the Parish's transit to continue on into the 21st century, upgrades to technology are claimed to be needed, along with expansions of certain routes and increased collaboration with the City of New Orleans in trans-parish routes. The Parish currently collects 1.90 mills for Regular Transportation and 0.95 mills for Mobility Impaired Transportation. The Council should study the need and costs of increasing these services in order to improve technological advances, expand ride-sharing routes, and to replace the fleet of vehicles. If justified, the Council should consider increasing funding accordingly.

7. Council Should Consider Rolling Millage Rates Forward When Needed Instead of Automatically Rolling Millages Back on Each Re-assessment Roll

Ad valorem taxes are dependent on several factors, some of which are within the control of the Parish and some which are not. First of all, the assessments of property in the Parish are the responsibility of the Parish Assessor's Office (an outside governmental agency and separately elected official). The assessed values are purely at his discretion based on his judgment and the appraisal/assessment tools utilized by his office. Second, State Statutes allow homestead exemptions on a good number of properties in Jefferson Parish. Thus, some of the taxes levied are exempt (or partially exempt) by state statute. Third, the taxes levied are based on the millage rates adopted by the Council. This is certainly within the Council's control. Finally, the Jefferson Parish Sheriff, who acts as the Ex-Officio Tax Collector (an outside governmental agency and separately elected official), mails the tax bills, collects the taxes, and remits the taxes each month to the Parish. Historical collection rates have averaged 98.5% for most years.

There are also some statutory deductions taken out of each millage's collections by the Tax Collector prior to it being remitted to the Parish. These deductions include funding for some state pension plans ($10.1 million as required by state statutes) and funding for the Parish Assessor's Office ($4.4 million as required by state statutes). Thus, the net taxes are made up of the following formula:

Assessed Value	X	Millage Rate	=	Taxable Amount	-	Homestead Exempt	=	Taxes Due	-	Statutory Deductions	=	Net Taxes

State Statutes call for a reassessment of the tax roll once every four years by the Assessor's Office. Typically, this results in an increase in the taxable value of the tax roll as market prices and inflation drive the price of homes up. These same state statutes call for governments to adopt their millage rates on a "rolled-back" basis whenever this increase in assessed values is noted so that the total taxes due stays "revenue neutral".

For example, if 5.00 mills are typically levied and there is a 5% increase in the assessed value of the property, one would expect the millage rate to drop 5% and a millage rate of 4.75 mills be adopted (note the “roll-back” from 5.00 to 4.75). This lower millage would then be applied to the higher assessed value and the taxes generated would be about the same as last year.

Once the rolled-back millage is adopted, the government has the “option” to “roll-forward” the millage by bringing the millage rate back to its previous level. Thus, in this example, the 4.75 mills would then be rolled-forward back to 5.00 mills. This higher millage would be the final levy and the 5% increase would be seen in the taxes generated since the 5.00 mills would then be applied to an assessed tax roll that is 5% higher than last year.

The roll-back/roll-forward debate has raged on for years in Louisiana. Those in favor of always rolling back see the tax millage as staying where the people voted. In other words, if people voted to allow $10 million in ad valorem taxes for recreation, then it should always be $10 million unless the people vote to allow more. Any increase without the vote of the people would be “taxation without representation”.

The roll-forward people say that the people have voted on a millage rate and that millage rate should always be collected. If the assessed value rises, then the taxes should rise in a like manner. Inflation is causing expenses of a government to go up each year. Once every four years, the government is allowed to roll the millage forward to catch up with inflation. Thus, the roll-forward people believe that a 5% increase in the assessed value should be reflected in a 5% increase in the taxes collected.

Over the past several administrations, it appears that the Councils that have been in place have adopted an automatic policy of “rolling back” the ad valorem tax millage every four years regardless of the financial condition of the particular taxing district. This philosophy has resulted in several taxing districts experiencing “stunted growth” in their revenue streams as compared to their ever increasing costs. Once the chance to increase the revenues is lost, the revenues remain at a lower level for the remainder of the term of the tax. The result is a potential loss of services to the citizens.

The Committee believes that the current and projected financial needs of the taxing district should outweigh the philosophical taxing ideals of the Council and that the Council should roll-forward the tax millage when warranted. The Committee believes that millage renewals (which come about every four years) should be adopted at the levels approved by the voters (i.e., rolled forward) unless there is an obvious reduction in projected costs. This policy would be no different than the other major taxing districts in the Parish, such as the Sheriff, the School Board, or the Levee Districts (each of which has rolled-forward their millage rates in almost every re-assessment year for the past few decades).

8. The Constitutional Millage of the General Fund Should be Increased if Possible or Additional Funding Should be Sought to Offset Ever Increasing State-Mandated Costs

The General Fund is funded by a "constitutional millage" that has been "rolled back" over the years from its original amount of 4.00 mills down to its current level of 1.31 mills. Based on our review, it appears that this millage rate is inadequate to fund the General Fund operations. The costs that this constitutional millage were intended to cover have continued or increased over the years, while the millage rate has been allowed to erode/decline. The Council should consider bringing this constitutional millage to a vote of the people to try and raise it back to its original maximum amount of 4.00 mills.

Constitutional millages are typically not voted on by the public but are set by the State when the Parish or governmental agency is first formed. Called a "general alimony" tax, this tax is meant to finance the general operations of the government (i.e., the General Fund). Most governments keep their general alimony tax at or near the constitutionally allowed level; however, over the years, the Parish has had its general alimony tax rolled back repeatedly.

The current maximum authorized level is 1.35 mills and it is currently levied at 1.31 mills. This current tax generates approximately $4.2 million to the General Fund., which is approximately 5.0% of the General Fund's revenues. At these levels, one mill is worth approximately $3.2 million at the Parishwide level. If the General Alimony tax were brought back to its original level of 4.00 mills (or had not been rolled back), it would be generating about $12.8 million per year. This additional $8.6 million would go a long way to stabilizing the General Fund's finances.

In lieu of raising the constitutional millage, the Council might consider seeking a new tax millage for the General Fund to help it fund some of the ever increasing "state-mandated" costs that it must pay for that currently have no true funding source. This would include various intergovernmental costs associated with the judicial system. For 2017, the General Fund incurred $21.3 million on costs associated with the District Attorney's Office, the District Courts, Juvenile Court, and the Clerk of Court. An additional $7.9 million was spent out of the General Fund for operations at the Parish Correctional Center, bringing the total spent to over $29.2 million. See the table below for the last 5 years of costs incurred in these functions and their % of General Fund spending.

Function	**2013**	**2014**	**2015**	**2016**	**2017**
District Attorney	$ 10,744,413	$ 11,671,092	$ 11,640,456	$ 12,348,498	$ 11,469,922
District Courts	5,060,514	5,367,637	5,123,207	5,513,077	5,679,819
Juvenile Court	3,167,229	3,336,640	3,365,767	3,625,711	3,513,811
Clerk of Court	431,567	448,032	444,864	-	647,523
Correctional Center	7,310,939	7,618,867	7,422,322	7,623,804	7,900,975
	$ 26,714,662	$ 28,442,268	$ 27,996,616	$ 29,111,090	$ 29,212,050
Total Gen Fund Expenditures	$ 84,988,719	$ 88,831,506	$ 88,476,284	$ 92,692,064	$ 92,075,075
% of Total General Fund Exp	31.4%	32.0%	31.6%	31.4%	31.7%

As noted in the table, nearly 32% of its expenditures are being spent on these functions alone. None of these costs are reimbursed from any specific source. A parish-wide "judicial" or "public safety" millage of approximately 8.00 to 9.00 mills would be needed to cover these costs. It should also be noted that the current Criminal Justice millage that is being levied is transferring approximately $4.0 million per year into the General Fund to cover some of these costs already. Thus, the 8.00 to 9.00 mills could be reduced by what is already being collected.

Increasing the existing constitutional millage to a functional level would be the first choice; however, the public safety or judicial millage could be looked at in lieu of this. The Committee understands that new taxes are not always welcome and that the public would have to be well educated on what the money would be for.

9. The Parish Should Consider Formalizing an Economic Development Funding Strategy

The Special Services District millage rate of 2.42 mills is split between Economic Development (20%), Criminal Justice (40%), Culture/Parks (20%), and Senior Services (20%). When this millage was first established, it was touted as an "economic development" millage; however, once adopted, it was broken out into various pieces. As such, the original purpose behind this millage of "economic development" seems to have been watered down to some extent, with only 20% going towards that purpose.

The Jefferson Economic Development Corporation (JEDCO), the Parish's economic development arm, is currently funded mostly from a portion of the occupational taxes collected within the Parish, and not from this special millage. The money from this millage kept by the Parish and is dedicated mostly to the Film Incentive Program which reimburses production companies a portion of their costs for filming in Jefferson Parish (part of the "Hollywood South" movement).

The Committee believes that the Council and the Administration should adopt a more formal policy or process to maximize economic development funding. Many companies looking to come to a region are looking for tax or cash incentives of some form or another. Currently, Jefferson Parish is not in a position to offer much at the local level other than tax breaks (an even those have come under fire recently).

An incentive fund was established years ago to aid JEDCO in attracting businesses to Jefferson Parish; however, that fund has long since been exhausted. The Committee believes that the Parish should consider re-establishing an Economic Development Incentive Fund of some kind and that JEDCO should play a role in administering the fund.

10. The Administration Should Consider Providing More Detailed and Desegregated Fund Balance Information on its Special Revenue Funds

The Comprehensive Annual Financial Report (CAFR) and the Proposed Budgets produced by the Administration are exemplary documents; however, to the lay person, they are hard to make sense of. The Parish does produce an annual Popular Report, which is designed to summarize data and to communicate finances in a more understandable way; however, even that document is too muddled.

The following is an excerpt from the 2017 Popular Report describing the Fund Balances available. Note how the Federal Grants and Special Revenue Funds are combined in to one lump sum. This follows standard governmental accounting and reporting formats; however, it hides what these funds are for and the fact that they are restricted in nature.

The General Fund, which is the chief operating fund of the Parish, had a fund balance of $26,229 from $28,099 in 2015 representing a decrease of $1,870 or 6.7% as a result of a decrease in fund balance that was designated for subsequent year expenditures from a prior year legal settlement.

The Federal and State Grants Special Revenue Fund reported a fund balance of $7,899 compared to of $7,545 in 2015 representing a slight increase of $354 or 4.7% in fund balance for the year ended December 31, 2016.

The East Bank Consolidated Fire District reported a fund balance of $14,475 compared to $15,931 in 2016 representing a $1,456 decrease or 9.1% primarily due to a transfer of funds to the Fire Capital Improvements Capital Projects fund for improvements at the Fire Training Center.

The Library Special Revenue Fund reported a fund balance of $32,142 compared to $32,580 in 2015 representing a slight decrease of $438 or 1.3%.

The Drainage and Pump Station Capital Projects Fund reported a fund balance of $142,032 compared to $136,919 in 2015 representing an increase of $5,113 or 3.7% due to conservation of funds for subsequent year expenditures, efforts to reduce spending and/or budgeting for anticipated expenditures not realized in 2016.

The Roads and Streets Capital Improvements Fund reported a fund balance of $90,629 compared to $86,798 in 2015 representing an increase of $3,831 or 4.4% primarily due to conservation of funds for subsequent year expenditures.

Given the Parish's history of adopting and restricting millages for specific purposes, the Committee believes the Parish should provide a breakdown of the restricted and unrestricted fund balances within the Popular Report. This would make it more apparent to the citizens how hamstrung the Council and Administration are when it comes to spending money on particular projects. The Committee also believes that the Parish should strive to improve communication and transparency to the public when it comes to its finances.

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SUPPLEMENTAL INFORMATION

REPORT TO THE JEFFERSON PARISH COUNCIL
FROM THE
TAX MILLAGE RE-DEDICATION ADVISORY COMMITTEE

ANALYSIS OF CASH AND CASH EQUIVALENT BALANCES

Part of the original discussions that resulted in this committee being formed revolved around the amount of cash, investments, and pooled cash (what we will term "cash and cash equivalents") that the Parish had in its various funds and how it seemed that these amounts were at the highest levels that anyone could remember. With so much cash on hand, "why did it seem like there was no money available for various projects and activities?"

When the committee was formed, it was asked to focus on those funds that were being funded with ad valorem taxes (i.e., property taxes) to determine if surplus fund balances existed and /or were projected to be generated and whether or not any of the millages that were generating those surpluses could be rededicated. The results of those analyses are found in the main section of this report. Even after this analysis, some questions still remained – "Where are all of the cash and cash equivalents of the Parish and if they are at all-time highs, why?" To answer this, this supplemental section was added to the report.

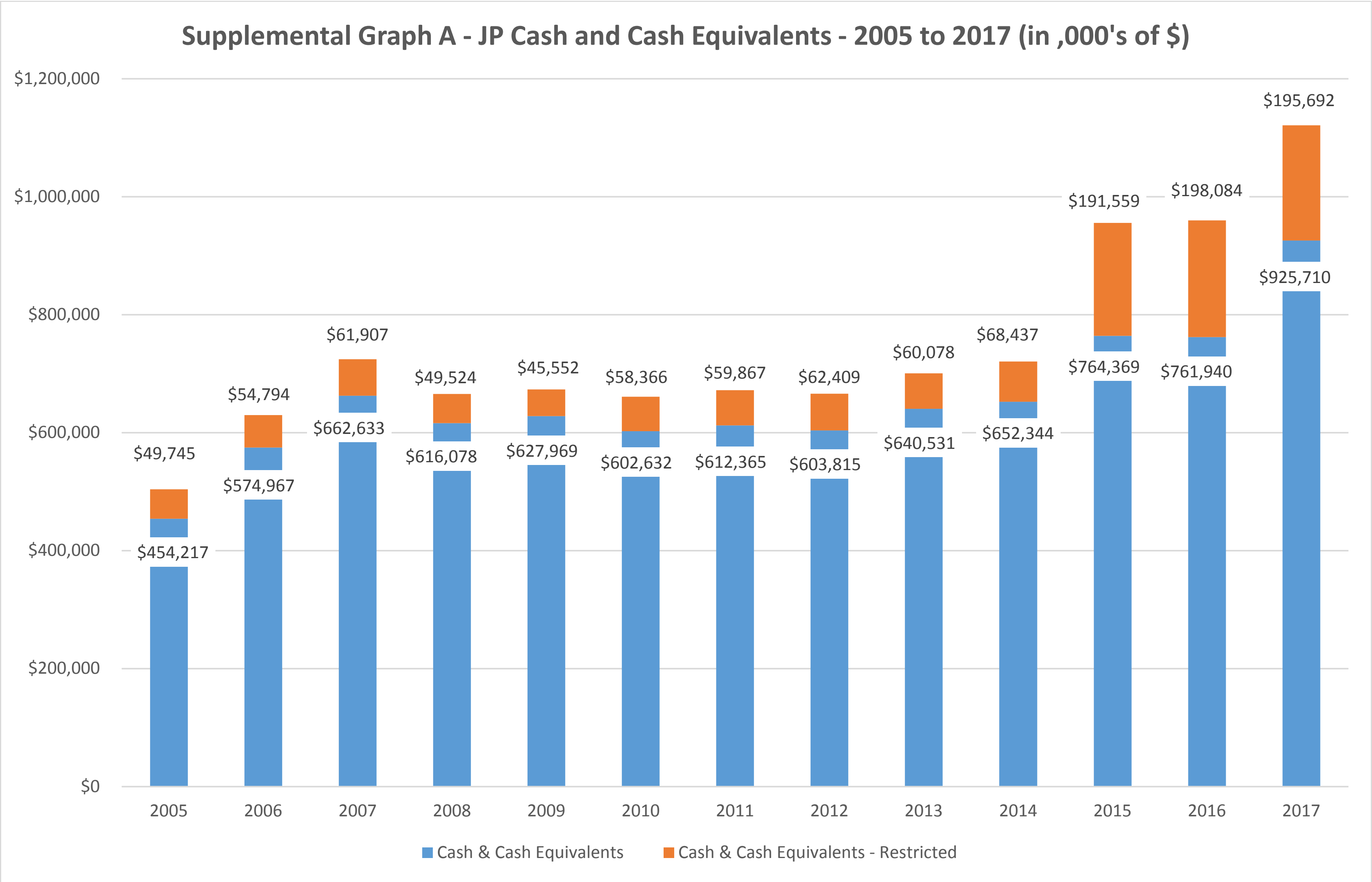
Before any data is presented, a few explanations are needed. While the scope of the main project was on fund balances, this supplemental work focuses on cash and cash equivalents. The reason is that in governmental funds, cash and cash equivalents most often approximate fund balance on the balance sheet. This is because governments record activity on the "modified accrual" basis of accounting, thus, receivables and payables do not normally have a major effect on the balance sheet. Long-term assets (capital assets) are excluded as well as long-term debt (bonds payable, pension liabilities payable, etc.).

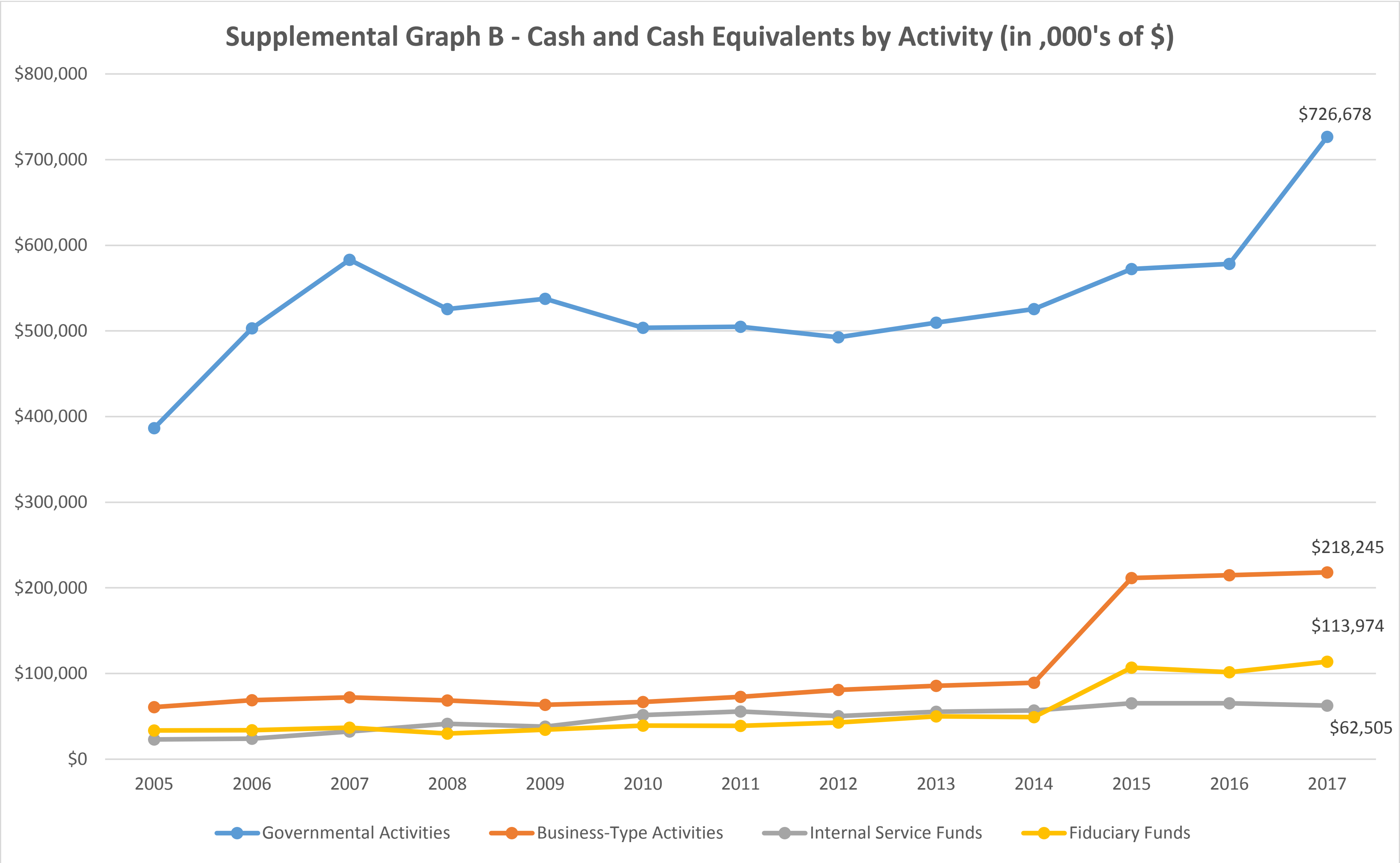
On its balance sheet, the Parish of Jefferson reports cash, investments, and "pooled cash", both in unrestricted and restricted funds. Cash is pretty straightforward and is made up of cash held in banks (checking accounts, savings accounts, etc.). The Parish is allowed to make certain types of investments under LRS 33:2955. Investments are typically made up of investments in US Government Agencies and Securities (FNMA, FHLB discount notes, etc.), corporate bonds, equities, mutual funds, etc. Pooled cash is a system whereby several of the Parish's funds pool their cash together into one fund and it holds cash and investments. The funds report their share of the pool as an asset "share of pooled cash". For the purpose of this analysis, we will group all of these together into what we will refer to as "cash and cash equivalents". The amounts presented come from the Parish's audited Comprehensive Annual Financial Reports (CAFRs) for the years 2005 through 2017.

As is seen in Supplemental Graph A, the amount of cash and cash equivalents held by Jefferson Parish appears to be at all-time highs. The amounts have risen from $503,962 ($454,217 unrestricted and $49,745 restricted) in 2005 to $1,121,402 ($925,710 unrestricted and $195,692 restricted) in 2017. This is an increase of $617,440 or 122.5% since 2005.

Supplemental Graph B shows that most of these funds ($726,678) are held in the "Governmental-Type Activities", which includes the General Fund, Special Revenue Funds, Debt Service Funds or Capital Project Funds. The "Business-Type Activities (the Water Dept., Sewer Dept., and Hospital District No. 1 (West Jefferson) have the second most ($218,245), followed by the Fiduciary Fund (Trust and Agency Funds - $113,974) and then the Internal Service Funds (Self Insurance, OPEB, etc. - $62,505).

REPORT TO THE JEFFERSON PARISH COUNCIL
FROM THE
TAX MILLAGE RE-DEDICATION ADVISORY COMMITTEE




Supplemental Graph B - Cash and Cash Equivalents by Activity (in ,000's of $)
$800,000
$700,000
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$0
$726,678
$218,245
$113,974
$62,505
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Governmental Activities
Business-Type Activities
Internal Service Funds
Fiduciary Funds

REPORT TO THE JEFFERSON PARISH COUNCIL
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A breakdown of the $1,121,402 in cash and cash equivalents by fund at December 31, 2017 that are noted in Supplemental Graph B above are as follows:

Supplemental Table 1 - Cash and Cash Equivalents by Fund-Type and Fund (in ,000's of $)

Fund-Type/Fund	$ Amount	Fund-Type	
GOVERNMENTAL-TYPE ACTIVITIES			
General Fund	$ 15,249	$ 15,249	
Special Revenue Funds			
BP Settlement Fund	19,838		
EB Consolidated Fire	17,764		
Consolidated Drainage	16,365		
Transit Operations	14,336		
Consolidated Recreation	13,275		
Library Special Revenue	11,265		
Consolidated Garbage	11,174		
Fire Dist # 6	10,915		
Juvenile Services	9,156		
Transit - Mobility Impaired	8,722		
Consolidated Road Lighting	6,599		
Streets Department	6,555		
Federal and State Grants	2,724		
Other Special Revenue Funds	48,522	197,210	
Debt Service Funds			
Other Debt Service Funds	27,684	27,684	
Capital Project Funds			
Road & Sewer ST Capital	172,601		
Drainage & P/S Capital	149,816		
Playground & Libray Imp Fund	49,793		
Road & Street ST Capital	41,233		
Sewer Capital Cap Project	20,143		
Public Safety Cap Project	5,873		
Other Capital Project Funds	47,076	486,535	
TOTAL GOVERNMENTAL ACTIVITIES	726,678	726,678	see Graph B
BUSINESS-TYPE ACTIVITIES			
Enterprise Funds			
Hospital Service Dist No. 1 (WJMC)	105,234		
Consolidated Waterworks	97,108		
Consolidated Sewerage	15,903	218,245	see Graph B
Internal Service Funds			
OPEB (Post-employment Benefits)	44,744		
Self-insurance	16,943		
Other - Fleet,Phone, IT, Eng, Enviro, and PW	818	62,505	see Graph B
TOTAL BUSINESS-TYPE ACTIVITIES	280,750	280,750	
FIDUCIARY-TYPE ACTIVITES			
Trust and Agency Funds			
Hospital Dist No. 1 EE's Retirement Plan	59,536		
JP EE's Retirement System Pension Trust	48,829		
Agency Funds	5,609	113,974	
TOTAL FIDUCIARY ACTIVITIES	113,974	113,974	see Graph B
TOTAL ALL FUNDS	$ 1,121,402	$ 1,121,402	

While the trends are clearly on the increase and there seems to be a large amount of cash on hand, rather than focusing on which funds have cash, it is more important to determine which funds are generating the majority of the increases seen. Supplemental Table 2 shows the changes in Cash and Cash Equivalents from 2005 to 2017 by Fund (with the changes in the Special Revenue, Debt Service and Capital Project Funds shown for those with a change greater than $5,000). The funds highlighted in light blue are funded with ad valorem taxes and are included in the scope of the main report.

Supplemental Table 2 - Changes in Cash and Cash Equivalents by Fund (in ,000's of $)

Funds (With a Change of > $5,000)	$ Change	% of Total	Explanation	
Road & Sewer ST Capital Project Fund	$ 172,601	28.0%	2017 bonds $107M/xfer 2017	(1)
Drainage & P/S Capital Project Fund	114,858	18.6%	2009 bonds $50M	(1)
Hospital Service Dist No. 1 Enterprise Fund	105,234	17.0%	New fund 2015 (WJMC)	(2)
Hospital Dist No. 1 EE's Retirement Plan (Trust Fund)	59,536	9.6%	New fund 2015 (WJMC)	(2)
Consolidated Waterworks Enterprise Fund	57,725	9.3%	Rate Incr - 2010 - 2017 - Constr	(3)
Internal Service Fund - OPEB	44,744	7.2%	New fund 2007 - xfers	(4)
Other Governmental Funds - Special Revenue	41,351	6.7%	Some new funds 2014	(5)
BP Settlement Fund - Special Revenue	19,838	3.2%	New fund 2015	(6)
EE's Retirement System Pension (Trust Fund)	19,730	3.2%	Growth	(7)
Playground & Library Improv Capital Project Fund	18,482	3.0%	Xfer from Library Spec Rev	(8)
Consolidated Drainage Special Revenue	15,022	2.4%	Excess ??	(8)
Transit Operations Special Revenue	12,502	2.0%	Forgiven FEMA Funds	(8)
Other Governmental Funds - Debt Service Funds	10,172	1.6%	Bonds/xfers	
Consolidated Recreation Special Revenue	9,543	1.5%	Excess ??	(8)
Fire Dist #6 Special Revenue	8,323	1.3%	Excess ??	(8)
Transit Mobility Impaired Special Revenue	8,002	1.3%	Forgiven FEMA Funds	(8)
EB Consolidated Fire Special Revenue	6,378	1.0%	Excess ??	(8)
Streets Department Special Revenue	5,886	1.0%	Sales tax growth	(9)
General Fund	5,793	0.9%	Growth	(8)
Library Special Revenue Fund	5,421	0.9%	Excess ??	(8)
Agency Funds	1,222	0.2%		
Other Governmental Funds - Capital Project Funds	835	0.1%		
Internal Service Fund - Fleet, Phone, IT, Eng, Enviro, & PW	187	0.0%		
Consolidated Sewerage Enterprise Fund	(5,453)	-0.9%	Downslide since 2012	(10)
Internal Service Fund - Self-Insurance	(5,475)	-0.9%	Downslide since 2010	(11)
Public Safety Capital Project Fund	(18,262)	-3.0%	Spending (911 Bldg)	(12)
Road & Street ST Capital Project Fund	(96,755)	-15.7%	Spending/xfer 2017	(13)
	$ 617,440	100.0%		

(1) As can be seen from the table above, $287,459 or 46.5% of the increase rests in two capital project funds – Road and Sewer ST Capital and Drainage & P/S Capital. Both of these capital funds had bond issues within the past 10 years, the proceeds of which seem to be propping up the cash balances.

(2) $164,770 or 26.7% of the increase is related to the lease of West Jefferson Medical Center (Hospital District No. 1) to Louisiana Children's Hospital (LCMC) in 2015. Due to the takeover, the Parish now has to record activity related to the Hospital District, as well as to the hospital employee's pension plan. The West Jefferson Hospital's financial activity used to be reported separately from the Parish as a discretely presented component unit. This changed with the takeover by LCMC.

(3) The Consolidated Waterworks department has shown an increase of $57,725, most of this since 2010 when the Parish implemented a series of rate increases from 2010 to 2012. $48,362 of the increase is in the "restricted funds", which is the capital construction/repairs fund.

(4) The Internal Service Fund for OPEB (Other Post-Employment Benefits) showed an increase of $44,744. This was a new fund established in 2007 and it is currently funded with interfund transfers from other funds each year. This fund was established to "fund" the estimated liability of providing post-employment benefits to Parish employees (health, life, etc.). As this liability continues to grow, it is expected that contributions to this fund will continue and its balance will grow as well.

(5) The Other Special Revenue Funds generated $41,351 of the increase. It should be noted that this amount is spread across a number of funds. It should also be noted that in 2014, with the passage of a new millage to fund the Inspector General and other Special Services, there were a number of new funds established and these funds account for a little over $14,000 of this increase. Thus, these are essentially "new funds".

(6) The BP Settlement fund accounts for $19,838 of the increase. This fund was established in 2015 to account for the $35 million received on the BP economic loss lawsuit.

(7) The EE's Retirement Trust fund accounted for $19,730 of the increase. As a pension trust fund, growth is expected over time. These funds are not available for anything other than paying pension benefits. There were also changes in pension accounting over the past few years that mandated changes in funding strategies and reporting.

(8) The next batch of funds include the Playground & Library Improvement Capital fund, Consolidated Drainage Special Revenue Fund, Transit Operations Special Revenue, Consolidated Recreation Special Revenue, Fire District No. 6 (Harvey) Special Revenue, Transit Mobility Impaired Special Revenue, EB Consolidated Fire Special Revenue, the General Fund, and the Library Special Revenue Fund (all highlighted in light blue). All of these funds were analyzed as part of the main scope of the committee's work. For the majority of the special revenue funds, in any case where a surplus/excess seemed to appear, the argument from the department was the future capital needs, as well as the future increases in the indirect cost allocations being proposed. See the main text of the report for discussions of what was found.

(9) The Streets Department Special Revenue Fund accounted for $5,886 of the increase. This fund is primarily funded with sales taxes. Sales taxes in the Parish have seen peaks and valleys over the past 13 years, with post-disaster timeframes generating large sales tax increases (Katrina, Gustav/Ike, BP oil spill), and other times experiencing drops in collections due to recessions (2009-2011) and overall impacts of internet sales. Overall, it appears that this sales tax driven department has garnered an increase over the past few years.

The bottom four are funds that have experienced decreases in cash balances.

(10) The cash balances in the Consolidated Sewerage Department has dropped $(5,453) since 2005. $(7,075) of the decrease is seen in its restricted funds (i.e., construction fund). This drop came as the Parish's Sewer Capital Improvement Program came to a completion.

(11) The Internal Service Fund for Self-Insurance is funded by transfers from other departments. The transfers are calculated based on the estimated losses incurred by the fund. This fund has seen a drop in its cash balances of $(5,475) since 2005. Most of this drop has happened since 2011, when cash balances were $35,754 and have since declined each year. It also corresponds with an increase seen in the "due from other funds" line-item over the same time period. It appears that the Parish is allowing some funds to "owe" the self-insurance fund rather than pay up front more often than in the past.

(12) The Public Safety Capital Project Fund saw a decrease of $(18,262) since 2005, the bulk of which was spent on construction of the 911 building and the related parking garage.

(13) Finally, the Road & Street ST Capital Fund saw a drop of $(96,755). Most of this was spent over the years on projects; however, in 2017, with the establishment of a new fund (the Road & Sewer ST Capital Fund), $58,261 was transferred from the Road & Street ST Capital Fund to the new fund as projects were realigned under the new fund/bond issue.

What this analysis points out is the restrictive nature of the Parish's fund structure and its effect on cash balances. There are several areas that are generating more and more cash and cash equivalents (on purpose in some cases, such as through bonds or new millage rates, or simply by growth in others), while other areas are struggling to make ends meet. Each of the funds noted in Supplemental Table 2 above is restricted to a particular purpose except for the General Fund and is generally unavailable for anything else other than that specific purpose. The inflexibility of the fund and millage structure is discussed in the main report in Comment/Observation No. 5.